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SUBJECT: FALL OF NOVA SCOTIA GOVERNMENT LEADS TO JUNE 9 PROVINCIAL ELECTION

11. SUMMARY: The Tory government of Premier Rodney MacDonald of Nova Scotia collapsed on May 4, setting the stage for a provincial election on June 9. We expect the focus of campaign to be on local issues, primarily the economy. Regardless which party emerges victorious on June 9--most likely as yet another minority government--post does not anticipate any significant changes in areas of U.S. interest such as trade, energy development and border security. END SUMMARY.

12. Nova Scotians will be going to the polls in a provincial election on June 9 after Tory Premier Rodney MacDonald's minority government collapsed on May 4, when opposition parties voted down a crucial bill in the Legislative Assembly. MacDonald's finance minister had just tabled a budget which the government declared was a "balanced" document. In reality it would only have been balanced if the government could have taken money from the province's offshore revenues, which by law must be applied to the provincial debt. On April 30, the MacDonald government tabled legislation to amend the law and it came to a vote on May 4. As they had warned, the opposition members of the House refused to support the bill, prompting the fall of the government and setting the stage for the election.

13. The fall of the MacDonald government came as no surprise. The Premier and his Tory party have been clinging to power since the June 2006 election when they failed to capture a clear majority. It has only survived thus far with the support of either the Official Opposition New Democratic Party or the third-place Liberals. The standings in the 52-seat House show the precarious state of the government leading up to its collapse: the Tories had 21 seats, the New Democrats had 20 and the third-place Liberals had nine. There was one independent and one seat was vacant.

14. COMMENT: The ensuing campaign is expected to be a hard-fought affair, focused primarily on the state of the economy and which of the three parties the electorate deems most capable to guide the province through tough economic times. All three parties have big hopes going into this campaign. As was the case in 2006, Premier MacDonald will be looking for a clear majority; NDP leader Darrell Dexter will be hoping to make history by forming the first-ever NDP government east of Ontario; and Stephen McNeil, leader of the third-place Liberals, will be anxious to prove himself a credible leader by orchestrating the addition of new seats for his party. Local contacts expect that the end result will be yet another minority government, which has been the norm since 2003.

15. U.S. INTERESTS: Each of the major parties attaches great importance to issues of interest to the United States: fostering bilateral trade, increasing energy exports to the United States, and working cooperatively with the federal government on secure border issues. Consequently, we do not anticipate any significant changes in those areas of interest regardless which party emerges the victor on June 9.

¶6. Post will report any significant developments of U.S. interest that emerge as this campaign unfolds. END COMMENT.

FOSTER